

## Department of Secretary of State - Agency & Budget Overview

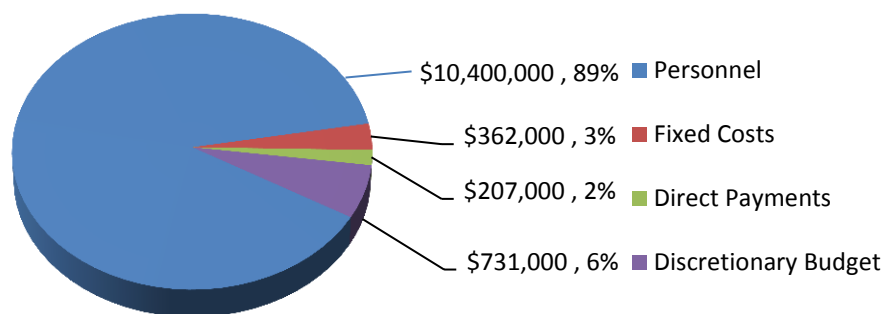
### Overview of Secretary of State: (Supporting Business / Economic Development and Capital Formation)

- Corporations – Where North Carolina Businesses Are Born
- UCC –The Depository for Commercial Loan Records for Banks, Lenders and the Borrowing Public
- Securities – Protecting Investors through Product & Broker Registration as well as Consumer Education
- Lobbying – Providing Transparency for Public, government, Media, and Lobbyist
- Charitable Solicitation – Providing Transparency to Facilitate Wise Charitable Giving
- Trademarks – Registration of Business Trademarks and Protecting Intellectual Property

### Secretary of State Budget Make-Up:

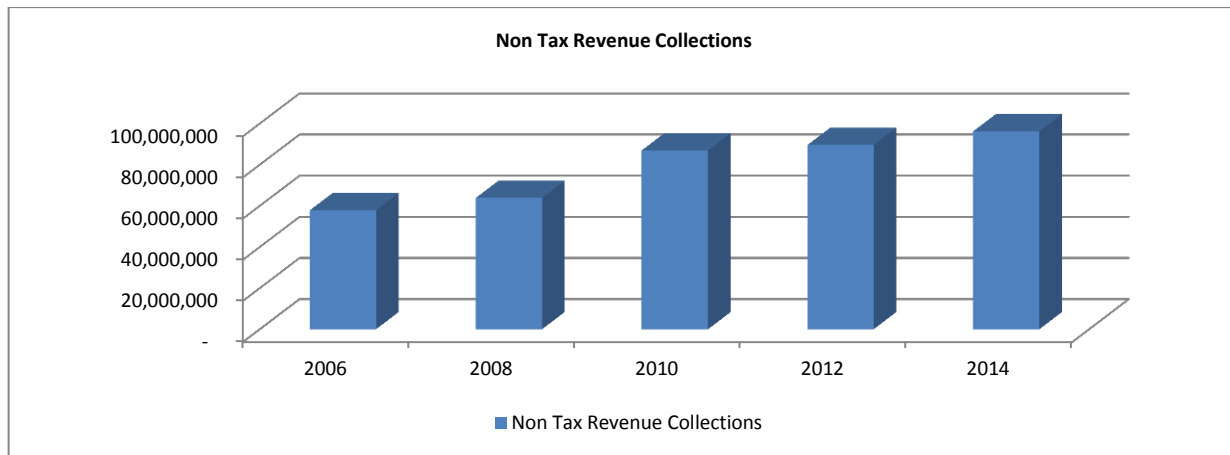
- Total Agency Appropriations Budget: **\$11.7 million**
- Personnel Amount: **\$10.4 million (89% of budget)**
- Non-Personnel Amount: **\$1.3 million (11% of budget)**
  - Direct payments to other state agencies for ITS, Telecommunications, etc. (\$207,000)
  - Fixed payments for leasing, janitorial, & utilities (\$362,000)
  - Net Remaining Budget (\$731,000 for postage, equipment, service contracts & travel)

Agency Appropriation Budget \$11.7 million



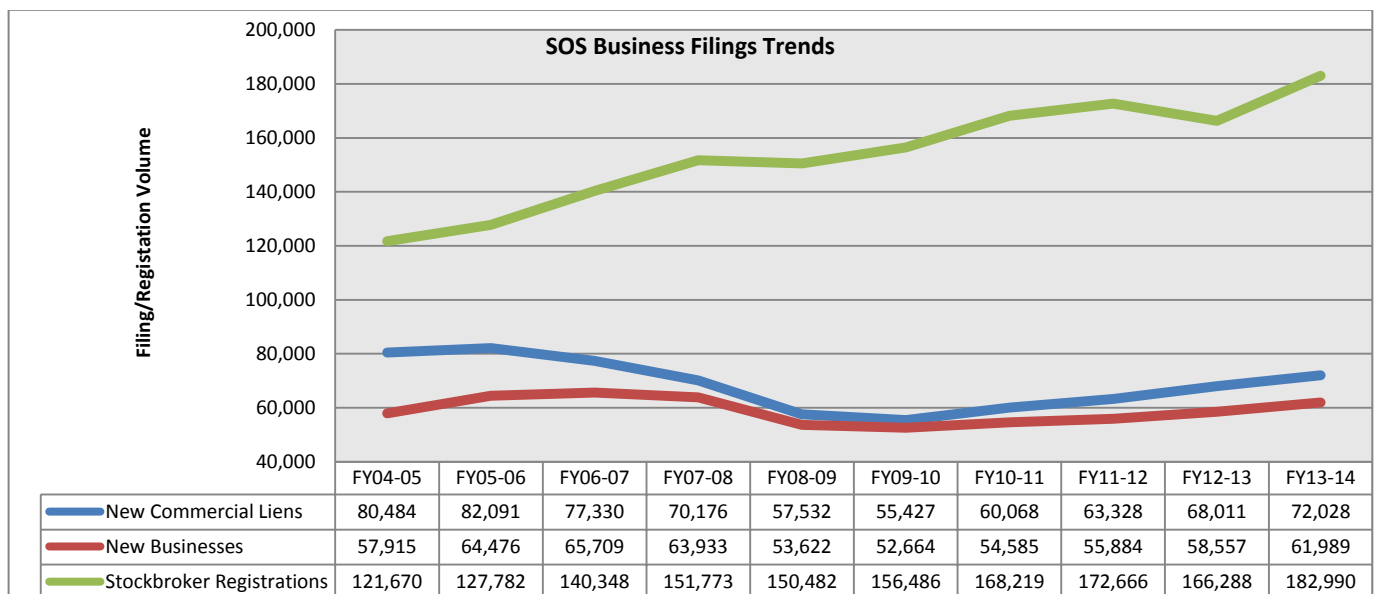
### Our Significance as a Profit Center: (Administers and collects Non-Tax Revenue for State General Fund)

- 1997: \$15,252,224
- 2006: \$57,781,000
- 2008: \$63,806,000
- 2010: \$86,927,175
- 2012: \$89,544,322
- 2014: \$96,202,613
- NOTE: **Steady growth, from FY 2006 (\$57 million) through FY 2014 (\$97 million) in fees for services even through the great recession period.**



### Our Partnerships with New Capital Formation

- Commercial lending activity is important to NC's economy as it provides capital for businesses to purchase assets and raw materials and replenish inventories.
- Stockbroker registrations is an information resource for investors inquiring about specific offerings of securities and commodities. As NC becomes a destination state for retirees and laws governing investing evolve to include new opportunities, this activity will become even more important to the investing public and industry.
- The Department facilitates the formation, ongoing activities, and dissolution of business activities by processing articles of incorporation and other critical business documents.
- These capital creation activities have been increasing steadily over the past five years, and in aggregate are already surpassing pre-recession levels.



### **Our Request for the 2015-17 biennium**

- An expansion request for our Corporations and Securities Divisions to fund an “Economic Development and Job Creation” initiative, designed to assist customers in starting new businesses and facilitating capital formation for investment:
- We propose funding the expansion request through receipts generated via 2 specific fee increases:
  1. Articles of Organization Incorporation Fee for LLC (includes professional LLCs) increase from \$125 to \$150 (\$25), the last time we raised the fee was 1997.
  2. Securities Salesman Registration Fee increased from \$125 to \$135 (\$10), also the last time this fee was increased was 1997.
- Collectively, it is from a very conservative estimation that these 2 fee increases would generate \$2.68 M
  1. \$850,000 from the Corporations Division, and
  2. \$1.829 M from the Securities Division.
- In a marketplace analysis, both proposed fee increases are well within fee structures of other states with similar economic models and services.
- Of the \$2.679 M generated, roughly \$1 M would be used to fund the expansion request, providing an additional \$1.679 M in availability to the General Fund.
  1. \$350,292 would be utilized in the Corporations Division to fund 6 FTE ranging from a financial investigator to combat corporate identity theft to processing assistants to handle the increasing annual report filings, as well as additional seasonal temporary workers to work peak season.
  2. \$545,420 would be utilized in the Securities Division to fund 6 FTE ranging from financial investigators to increase speed and effectiveness of securities investigation to an attorney to prosecute illegal actions.
  3. \$35,425 would be used to budget for an automatic lease increase for leased office space the agency is required to maintain.
- While the budget instructions direct the agencies to offer up 2% in cuts, given our role as a very lean profit center, we propose offering \$1.679 M of availability to the General Fund which equates to approximately 14%, rather than the 2%.
- Further, we anticipate this expansion request will generate additional revenue for the state as we move beyond the \$100 million annually threshold.